

**Class 12**

**Business Studies**

**Set 2 with Solutions**

**Time : 3 Hr.**

**Max. Marks : 80**

General Instructions:

This question paper contains 34 questions.

Marks are indicated against each question.

Answers should be brief and to the point.

Answers to the questions carrying 3 marks may be from 50 to 75 words.

Answers to the questions carrying 4 marks may be about 150 words.

Answers to the questions carrying 6 marks may be about 200 words.

Attempt all parts of the questions together.

Question 1.

Adies Ltd. is into the production and marketing of cosmetic products. The company decided to donate ₹ 1 from sale of every unit of its products for the upliftment and education of poor children in the country. This was greatly responded by the consumers and the sale of company's products rose drastically. Identify the objective of management depicted in this case.

- (a) Organisational objective
- (b) Personal objective
- (c) Social objective
- (d) None of these. (1)

Answer:

- (c) Social objective

Explanation: Business is a part of society so it has same obligations regarding society. Social objects can attempt to supply products and services at reasonable prices, community development, establishment of healthcare, educational and training facilities, providing environment-friendly products/services, etc.

Related Theory

The main objective of any organisation should be to utilise human and material resources to the maximum possible advantage. Management has to reconcile personal goals of employees with organisational objectives.

Question 2.

In Axis Ltd., the employees went on strike on their demands for increased salaries and reduced working hours. After lots of discussions between the management and the labour union, the management agreed to increase the salaries but only when the employees agree upon to work overtime for the losses the company suffered due to strike. The employees agreed for the same. The company covered its losses and increased the salaries of the employees.

State the principle of management described here.

- (a) Unity of order
- (b) Unity of direction
- (c) Discipline
- (d) Scalar chain (1)

Answer:

- (c) Discipline

Explanation: To ensure smooth operation in a business, it is essential that members of an organisation respect the rules that govern it. Fayol believed that discipline can be maintained by employing superiors at all levels, by maintaining contractual agreements between workers and superiors and by penalising workers in case of errors made by them.

**Related Theory**

The principle of unity of order states that each participant in a formal organisation should receive orders from and be responsible to only one superior.

According to the unity of direction, all the units of an organisation should move towards the same objectives through co-ordinated and focussed efforts. Scalar chain is the formal lines of authority from highest to lowest ranks.

**Question 3.**

Asha Motors is a taxi service provider. The company is targeting a revenue of ₹ 100 crore this year. However, with the passage of time it has found entrance of new service providers in the market which was not expected at one stage of time. It has a good team of technicians, drivers, software providers, etc.

The company has decided to make it adaptable to such continuously changing circumstances. It knows that if it has to expand in new countries, it will have to learn the basic differentiating factors like traffic rules, technological aspects, etc. Thus, it understands that conditions are different in different countries.

Which feature of Business Environment is discussed in this case?

- (a) Uncertainty
- (b) Dynamic
- (c) Complex
- (d) None of these (1)

Answer:

- (b) Dynamic

Explanation: Business environment is very flexible and keeps changing as there are multiple factors in action at any given time. It is not static and can not be monitored or predicted.

**Related Theory**

Business environment is largely uncertain as it is very difficult to predict future happenings. Business environment is a complex phenomenon that is relatively easier to understand in parts but difficult to grasp in its totality.

**Question 4.**

Match the steps of organising process in column I with their definitions in column II:

Column I	Column II
(A) Division of work	(i) Work to those who are best fitted for it
(B) Departmentalisation	(ii) Purpose is to avoid duplication
(C) Assignment of duties	(iii) Grouping of similar activities together

- (a) A-(i), B-(ii), C-(iii)
- (b) A-(ii), B-(i), C-(iii)
- (c) A-(ii). B-(iii), C-(i)
- (d) A-(iii), B-(ii), C-(i) (1)

Answer:

- (c) A-(ii). B-(iii), C-(i)

Explanation: Division of work is the first step in organising process. The work is divided into manageable activities so that duplication can be avoided.



Departmentalisation is the grouping of activities of similar nature to facilitate specialisation. Assignment of duties is the allocation of jobs to the members of each department in accordance to their skills and competencies.

Question 5.

“Planning ensures that the goals or objectives are clearly stated so that they act as a guide for deciding what action should be taken.” Identify the benefit of planning described here.

- (a) Planning promotes innovative ideas
- (b) Planning reduces overlapping and wasteful activities
- (c) Planning reduces the risks of uncertainty
- (d) Planning provides direction (1)

Answer:

(d) Planning provides direction Explanation: By stating in advance how work is to be done, planning provides direction for action. If goals are well defined, employees are aware of what the organisation has to do and what they must do to achieve those goals.

Related Theory

Since planning is the first function of management, new ideas can take the shape of concrete plans. It promotes innovative ideas. Planning serves as the basis of coordinating the activities and efforts of different divisions, departments and individuals. It helps in avoiding confusion and misunderstanding. Planning is an activity which enables a manager to look ahead and anticipate changes thereby reducing the risks of uncertainty.

Question 6.

Manohar started the manufacturing of detergent, soaps and cakes. In a short span of time, the business started doing well and Manohar could earn good profits. He decided to expand his business and diversify into shaving creams and shampoos. Which type of organisation structure would be suitable for his expanded organisation?

- (a) Functional structure
- (b) Divisional structure
- (c) Both (a) and (b)
- (d) None of the above (1)

Answer:

(b) Divisional structure.

Explanation: In a divisional structure, the organisational structure comprises of separate business units or divisions. The manpower is grouped on the basis of different products manufactured. Here, Manohar is diversifying into the production of shaving creams and shampoos and each product can be grouped into different divisions.

Related Theory

The benefits of divisional structure are:

It promotes flexibility and initiative because each division functions as an autonomous unit.

It facilitates expansion and growth as new divisions can be added without interrupting the existing operations

Question 7.

Treasury bills are available for a minimum amount of and in multiples thereof:

- (a) ₹ 10,000
- (b) ₹ 20,000
- (c) ₹ 25,000
- (d) ₹ 30,000 (1)

Answer:

(c) ₹ 25,000

Explanation: Treasury bill is an instrument of short term borrowings by the Government of India maturing in less than one year. They are also known as Zero coupon bonds. These are available for a minimum amount of ₹ 25,000 and in multiples thereof.

### Related Theory

Some other money market instruments are: commercial paper, call money and certificate of deposit.

### Question 8.

Which of the following is not a participant in the money market?

- (a) RBI
- (b) SEBI
- (c) Mutual funds
- (d) NBFCs (1)

Answer:

- (b) SEBI

Explanation: Securities and Exchange Board of India (SEBI) is the regulator of the capital market whose function is regulation and development of securities market. It is not a participant in the money market.

### Related Theory

The major participants of money market are: Lenders, which include RBI, commercial banks and brokers. These participants facilitate the expansion or contraction of money in the market and Borrowers, which include commercial banks, stock brokers, other financial institutions, business houses

### Question 9.

Sudershan Ltd. is in need of long terms funds to increase its output to meet expanded demand of its products. The company decides to fulfill its requirements for loan from a nationalised bank. Which type of decision is this?

- (a) Financing decision
- (b) Investment decision
- (c) Dividend decision
- (d) None of the above (1)

Answer:

- (a) Financing decision

Explanation: Financing decisions are made for acquiring funds in the context of a business' capital structure, which is a mix of long term debt and equity used for business operations.

### Related Theory

investment decision relates to how the firm's funds are invested in different assets. It can be long term or short term. Dividend decision involves how much of the profit earned by the company is to be distributed to the shareholders and how much of it should be retained in the business for meeting the investment requirement.

### Question 10.

Krishna Ltd. is in manufacturing of pure desi ghee. Over the years, the earnings of the company has gone up and it enjoys the position of market leader. The Financial Manager is confident of the fact that not just the earnings of the current year, but for the future years are likely to be high. Identify the related factor of dividend decision being described here.

- (a) Earnings
- (b) Stability of earnings
- (c) Stability of dividends
- (d) Growth opportunities (1)

Answer:

- (c) Stability of dividends

Explanation: The companies generally follow a policy of stabilising dividend per share. The increase in dividends is generally made when there is confidence that their earning potential has gone up and not just earnings of the current year.



### Related Theory

Dividends are paid out of current and past earnings. Therefore, earnings is a major determinant of the dividend decision. Other things remaining the same, a company having stable earnings is in a position to declare higher dividends. Companies having good growth opportunities retain more money out of their profits so as to finance the required investments. The dividend in growth companies is therefore small

### Question 11.

Volvo Ltd., is proposing to issue capital through online system of stock exchange and has entered into an agreement with the stock exchange. What would this type of issue be called?

- (a) Right Issue
- (b) Private placement
- (c) E-IPOs
- (d) All of these (1)

Answer:

- (c) E-IPOs

Explanation: Initial Public Offering (IPO) is made in primary markets when an unlisted company makes fresh issues of securities for the first time.

### Related Theory

SEBI has proposed e-IPO norms where investors can bid for new shares through internet and eventually through mobile applications. Public Sector Undertakings (PSUs) securities will be provided a fast-route track for share sales/purchase in order to meet their disinvestment targets. For already listed companies as well, the market regulator has proposed a fast-track route for raising of funds through FPOs or rights offers (where funds can be raised from existing shareholders).

### Question 12.

Kaitaki took her daughter, Kinaya for shopping to 'First Cry' to buy her a dress on the occasion of her birthday. She was delighted when on payment for the dress she got a discount voucher to get 25% off on a meal of ₹ 1000 or above at a famous restaurant. Identify the technique of sales promotion used by 'First Cry' in the above situation.

- (a) Rebate
- (b) Discount
- (c) Usable benefit
- (d) Product combination (1)

Answer:

- (c) Usable benefit

Explanation: Usable benefit is that activity of sales promotion in which benefits not related to the product are offered. Here, 25% discount voucher on meals of ₹ 1000 and above at a famous restaurant is offered on purchase of a dress. This benefit can be used by the consumer some other time.

### Related Theory

Rebate is offering products at special prices for a limited period to clear off excess inventory.

Discount is offering products at less than list price.

Product combination is offering another product as a gift along with purchase of a product.

### Question 13.

Usha enterprises is engaged in manufacturing swing machine. The target production is 100 units per day. The company had been successfully attaining this target until two months ago. Over the last months, production manager has observed that there is the negative variation in the daily production. Which function of management is being performed here?

- (a) Directing
- (b) Controlling
- (c) Staffing
- (d) Organising (1)

Answer:

- (b) controlling

Explanation: controlling means ensuring that activities in an organisation are performed as per the plans.

Question 14.

Shubam Mahajan is the manager at ASEAN Private Limited. His job was to check the production levels of each day. He is a good leader who takes decision only after consulting her subordinates and work out the policies after acceptance of the group. Identify the leadership style being discussed here.

- (a) Democratic style of leadership
- (b) Autocratic style of leadership
- (c) Free rein style of leadership
- (d) None of these. (1)

Answer:

- (a) Democratic style of leadership.

Explanation: A democratic leader will develop action plans and makes decisions in consultation with his subordinates. He/she will encourage them to participate in decision-making.

Question 15.

Name the function of management which helps in the formulation of future plans, in the light of the problems that were identified and thus helps in better planning in the future period.

- (a) Directing
- (b) Controlling
- (c) Staffing
- (d) Organising (1)

Answer:

- (b) controlling

Explanation: Controlling means ensuring that activities in an organisation are performed as per the plans.

Question 16.

Reflex sports Ltd. is a renowned brand in sportswear and equipments. The company holds a major share in the market. All the decisions regarding production and marketing are taken the CEO, Mr. Juneja. Due to growing business and expansion of activities and products range, the CEO is overburdened with the work.

The management decided to delegate some of his authority to General Manager who further dispersed some of his authority to the production manager and marketing manager. Identify the concept.

- (a) Delegation
- (b) Decentralisation
- (c) Both (a) and (b)
- (d) None of the above (1)

Answer:

- (b) Decentralisation

Explanation: Decentralisation can be considered to have originated from centralisation that enables decision making at different levels. "Everything that goes to increase the importance of the subordinates' role is decentralisation and everything which goes to reduce it is centralisation."

### Related Theory

Delegation refers to the downward transfer of authority from a superior to a subordinate. It is a pre-requisite to the efficient functioning of an organisation because it enables a manager to use his time on high priority activities.

### Question 17.

The sale of famous brand of potato chips is declining in the market. The marketing manager comes up with a scheme of "Bug one Get one free." This boosted the sales of the potato chips and the company was able to regain its market. Identify the promotional tool used by the company.

- (a) Public relations
- (b) Advertising
- (c) Sales promotion
- (d) Personal selling (1)

Answer:

- (c) Sales promotion

Explanation: Sales promotion refers to short term incentives which are designed to encourage the buyers to make immediate purchase of a product or service. It is usually undertaken to supplement other promotional efforts.

### Related Theory

Promotion mix refers to combination of promotional tools used by an organisation to achieve its communication objectives. Various tools of communication used by marketer include; advertising; personal selling; sales promotion and publicity.

### Question 18.

Statement I: Advertisement is an internal source of recruitment.

Statement II: Advertisement gives the management a wider range of candidates from which to choose.

Choose the correct option from the options given below:

- (a) Statement I is true and II is false
- (b) Statement II is true and I is false
- (c) Both the statements are true
- (d) Both the statements are false (1)

Answer:

- (b) Statement II is true and I is false

Explanation: Advertisement is an external source of recruitment, which attracts pool of candidates for the job.

### Question 19.

'Get 2 GB memory card free with a Nokia cellphone' is an example of one of the techniques of sales promotion. Identify the technique.

- (a) Rebate
- (b) Product combination
- (c) Quantity gift
- (d) Discount (1)

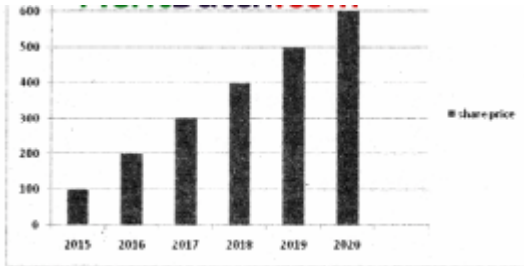
Answer:

- (b) Product combination

Explanation: Product combination is a tool of sales promotion. Under this method, along with the main product some other product is offered to the customer as a gift. Here, in the given case, customer is getting 2 GB memory card free along with the product purchased i.e. an additional product, hence we can classify this as product combination.



Question 20.



Consumer should only purchase standardised products. On which type of product the above logo is printed?

- (a) Jewellery
- (b) Edibles
- (c) Agriculture product
- (d) Electronics (1)

Answer:

- (c) Agriculture products.

Explanation: Agmark symbol is used to approve the quality of agricultural products. Agmark is a certification mark employed on agricultural products in India, assuring that they adhere to a set of standards approved by the Directorate of Marketing and Inspection.

Question 21.

The Government of India launched "Make in India" as an initiative to encourage the companies to manufacture their products in India. The initiative aims at high quality standards and also seeks to attract foreign capital investment. A web portal was released under this initiative. Identify the various dimensions of business environment referred to by quoting lines from the paragraph.

OR

As per the directions issued by the Supreme Court, the government passed an order to ban the sale of liquor within the area of 200 metres of all educational institutions as its consumption is injurious to health. People are becoming more conscious about health and fitness. This indicates the government's attitude towards this business. Identify the dimensions of business environment discussed above by quoting lines from the paragraph. (3)

Answer:

The various dimensions of business environment being referred to in the above case are:

- (i) Political Environment: "The Government of India launched "Make in India" as an initiative to encourage the companies to manufacture their products in India." Political environment includes political conditions such as general condition and peace in the country and special attitudes that elected government representatives hold towards business.
- (ii) Technological environment: "A web portal was released under this initiative." Technological environment are forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.
- (iii) Economic environment: "The initiative aims at high quality standards and also seeks to attract foreign capital investment." Interest rates inflation, rates, changes in disposable income of people, stock market indices and the value of rupee are some of the economic factors that can affect managerial practices in an enterprise.

OR

The various dimensions of business environment being referred to in the above paragraph are as follows:

- (i) Legal environment: "As per the directions of the Supreme Court". Legal environment includes various legislations passed by the administrative orders issued by the government court judgements as well as the decisions rendered by various commissions and agencies.



(ii) Political environment: "The government passed an order to ban the sale of liquor within the area of 200 metres of all educational institutions." Political environment include political conditions such as general stability and peace in the country and specific attitudes that elected government representatives holds towards business.

(iii) Social environment: "Its consumption is injurious to health and people are becoming more conscious about health and fitness." Social environment include the social forces, customs and traditions, values, social trends, society's expectations from business etc.

#### Caution

Legal environment is concerned with the law of the land, whereas political environment is related to the government of the natuion.

#### Question 22.

Explain Functional Foremanship.

OR

Explain "Science is not a Rule of Thumb". (3)

Answer:

Functional foremanship is a factory management technique advocated by Taylor. He advocated seperation of planning and execution functions. This concept was extended to the lowest level of the shop floor. Under the factory manager, there was a planning incharge and a production incharge. Under planning incharge the following personal worked:

Instruction card clerk: He assigns work to all the employees.

Route clerk: He decides how work will progress regarding total productions so, that production takes place on time.

Time and cost clerk: He determines what will be the total cost and how much time each job will take.

Disciplinarian: He sees that there is discipline at work place.

Under production incharge, personnel who would work were:

Speed boss: He ensures that the work is being completed timely.

Gang boss: He ensures sufficient availability of raw material, tools etc.

Repair boss: He sees that whenever some repair is involved in any work, the work is done properly.

Inspector: He sees that whether the quality of output is good or not

OR

Taylor pioneered the introduction of the method of scientific enquiry into the domain of management practice.

Taylor believed that only method to maximise efficiency can be developed through study and analysis. As different managers would follow their indigenou rule of thumb, the new method developed should substitute Rule of thumb throughout the organisation.

Scientific method involved investigation of traditional methods through work study, unifying the best practices and developing a standard method, which should be followed throughout the organisation.

#### Question 23.

Rajat is responsible for formulating and implementing the plans in his company "Relax Ltd." He takes all the decisions related to marketing and finance.

(a) Identify the level of management at which Rajat was working.

(b) State two other functions being performed by Rajat. (3)

Answer:

(a) Rajat was working at top level of management.

(b) The two other functions being performed by him at this level are outlined below:

He is responsible for formulating the overall organisational goals and strategies.

He is responsible for all the business activities and its impact on society.

Question 24.

Arjun is working in a footwear manufacturing company. He is the senior most employee in the division. He is senior even to division manager, Shanker. Arjun is considered as one of the most committed, capable and hard working employee. As a result of his abilities and seniority, he generally received work assignments of his choice. A problem developed when a young and intelligent Karan was appointed by Shanker.

Karan's previous three years' experience in the closely related work made it possible for him to catch on to the routine work of his new job rapidly. On several occasions, Shanker noticed tension between the two employees. One day the tension rose and Arjun complained to Shanker stating that his duties were largely taken over by Karan.

Shanker issued the order stating the clear allocation of the jobs and related duties between the two. He further clarified the working relationship between them by specifying who was to report to whom. This helped in reducing the workload, enhancing productivity and removing ambiguity.

(a) Identify and state the step of organising process which has not been carried out properly and contributed to this problem.

(b) State the two steps of organising process which have been taken by Shanker in response to the complaint of Arjun. (3)

Answer:

(a) The step of organising process that has not been carried out properly and contributed to this problem is 'assignment of duties'.

(b) The two steps of organising process which have been taken by Shanker to respond to the complaint of Arjun are:

(i) Assignment of duties: It is necessary to allocate work to various employees. In the process of organising, once departments have been formed, each of them is placed under the charge of an individual. It is essential for effective performance and communication that a proper match is made between the nature of a job and the ability of an individual. The work must be assigned to those who are best fitted to perform it well.

(ii) Establishing reporting relationships:

Merely allocating work is not enough. Each individual should know from whom to take orders and to whom he/she is accountable. The establishment of such clear relationships helps to create a hierarchical structure and coordination amongst various departments.

Question 25.

Hindustan Lamps Ltd. is the manufacturer of LED bulbs. The company has a very good reputation in the domestic market as well as international market. The company has set standards as regards to quality and specifications of its products. The company also adopts the policy of discontinuing the production of those products which have less demand in the market.

In a recent feedback, one of the supplier informs the purchase department to take special care in the use of a particular raw material at production stage. The store incharge knows that this information should be given immediately to the production department but the company's policy only allow him to give this message to his immediate boss who will further pass this message to his boss.

The passing of this message will continue till it reaches the desired person in the production department.

(a) Which technique of management is followed here?

(b) Also, name the principle of management followed here by the company.

(c) Which option is available to the store incharge since the company is not allowing him to interact with the concerned worker in the production department? (4)

Answer:

(a) The technique of management which is followed here is Standardisation ("the company has set standards as



regards to quality and specifications of its products)” and Simplification (the company adopts the policy of discontinuing the production of those products which have less demand in the market).

Standardisation refers to the process of setting standards for every business activity; it can be standardisation of process, raw material, time, product, machinery, methods or working conditions. These standards are the benchmarks, which must be adhered to during production. Simplification aims at eliminating superfluous varieties, sizes and dimensions. It aims at eliminating unnecessary diversity of products.

(b) The principle of management followed here is Scalar Chain.

(c) The option available to the store incharge is Gang plank as this is an emergency situation. The store incharge knows that the information should be given to the production department immediately.

Question 26.

What are the factors affecting financing decision?

OR

Explain the importance of financial planning. (4)

Answer:

The factors affecting financial decision are as follows:

- (a) Cash flow position of the business: If a company has a strong cash flow, it can easily choose debt financing. On the other hand, a company which has weak cash flow cannot go for debt financing. A company will choose equity funding when its cash flow position is not so strong.
- (b) Control considerations: Debt normally does not cause dilution of control while issue of equity shares may reduce management control over the business. So, when companies want dilution of ownership they go for equity rather than debt financing.
- (c) Floatation cost: Cost of raising funds is known as floatation cost. Issuing equity shares includes floatation cost of issuing prospectus, advertising etc. Getting a loan from financial institution may not cost so much.
- (d) Risk: Debt is cheaper source of finance but it is riskier for a business because under debt it is compulsory to pay interest on debt and principal amount on maturity. Therefore, use of more debt increases the financial risk of a business.

OR

The importance of Financial Planning are as follows:

It ensures smooth running of a business enterprise by ensuring availability of funds at the right time.

It helps in anticipating future requirements of funds and evading business shocks and surprises.

It facilitates coordination among various departments of an enterprise, like marketing and production functions, through well- defined policies and procedures.

It increases the efficiency of operations by curbing wastage of funds, duplication of efforts and gaps in planning.

It helps to establish a link between the present and the future.

Caution

Financial Planning and financial management are two different concepts.

Question 27.

Identify the method of sales-promotion in the following cases:

- (a) A mobile company offers a discount of ₹ 1,500 to clear off excess inventory.
- (b) A customer gets ₹ 10 off on return of an empty wrapper while making a new purchase of the same product.
- (c) A company offers a pack of 1 kg of sugar with the purchase of a 10 kg bag of wheat flour.
- (d) A company offers 40% of extra shaving cream in a pack of 1 kg. (4)



Answer:

(a) Rebate: The company is offering products at special prices for a limited period to clear off excess inventory. Here, a discount of ₹ 1,500 is offered by the mobile company to clear off excess inventory. So, rebate is the method of sales promotion in this case.

(b) Refund: Refunding a part of price paid by customer on some proof of purchase, say, on return of empty foils or wrapper. In this case, the customer gets ₹ 10 off on return of empty wrapper while making new purchase of same product. This is a case of refund method of sales promotion.

(c) Product combination: It is offering another product as gift alongwith the purchase of a product. In this case, the company has offered 1 kg of sugar with purchase of 10 kg of wheat flour. This is a case of product combination of sales promotion.

(d) Quantity gift: It is offering extra quantity of the product. It is commonly used by marketer of toiletry products. In this case, the company has offered 40% extra shaving cream in a pack of 1 kg. This is a case of quantity gift of sales promotion.

Question 28.

“Planning involves huge costs but even then it is the most important function of management.” Is planning actually worth the huge costs involved? Discuss. (4)

Answer:

Plans involves huge costs in their formulation in terms of time and money. Detailed plans require scientific calculations to ascertain facts and figures. There are number of incidental costs as well. In spite involving huge costs, planning is the most important function of management. The following importance of planning justifies the worth of planning:

(i) Planning provides direction: By stating in advance, how work is to be done, planning provides direction for action. Planning ensures that the goals or objectives are clearly stated so that they act as a guide for deciding what action should be taken in which direction.

(ii) Planning reduces the risks of uncertainty: Planning is an activity which enables a manager to look ahead and anticipate changes. By deciding in advance the tasks to be performed, planning shows the way to deal with changes and uncertain events.

(iii) Planning promotes innovative ideas: Since planning is the first function of management new ideas can take the shape of concrete plans.

(iv) Planning facilitates decision making: Planning helps to look into the future and make a choice from amongst various alternative courses of action.

Question 29.

Rohan Talwar is a computer engineer and completed his B. Tech from IIT recently. He started a software developing company and due to his innovations and business efficiency his business grew rapidly. He found that the volume of work made it impractical for him to handle all the work by himself.

The company recruited new employees. He found the new employees capable, enthusiastic and trustworthy. He was, thus, able to focus on the objectives and with the help of new employees he was able to extend his area of operations and also satisfy customer's needs. On the other hand, the new employees also got opportunities to develop and exercise initiative.

(i) Identify and briefly explain the concept used by Rohan Talwar in the above case which helped him in focusing on objectives.

(ii) Also, state any four points of importance of the concept identified above.

OR

“Fresh Deals” is a well known chain of large department store offering various products under one roof. The company owns stores in various parts of the country and each store is managed by Store Manager, who is allowed to run their stores autonomously by deciding about the products which may be promoted, appointment of staff, ways to handle customer complaints etc. In the context of the above case:

(a) Identify and explain the policy followed by “Fresh Deals” to run their stores successfully.

(b) Also, give any three points highlighting the importance of the approach followed as identified in part (a). (4)

Answer:

(i) The concept used by Rohan Talwar is Delegation. Delegation refers to the downward transfer of authority from a superior to subordinate. It is a pre requisite to the efficient functioning of an organisation because it enables a manager to use his time on high priority activities.

It also satisfies the subordinate’s need for recognition and provides them opportunities to develop and exercise initiative. Here, in this case, Rohan Talwar found the volume of work impractical to handle and thus, recruited new employees so that he can focus on his objectives. Thus, here, he is delegating the tasks to his subordinates.

(ii) The four points of importance of delegation . are as follows:

(a) Effective management: By empowering the employees, the managers are able to function more efficiently as they get more time to concentrate on important matters.

(b) Employee development: As a result of delegation, employees get more opportunities to utilise their talent and this may give rise to latent abilities in them.

(c) Facilitation of growth: Delegation helps in the expansion of an organisation by providing a ready workforce to take up leading positions in new ventures.

(d) Better coordination: The elements of delegation, viz., authority, responsibility and accountability help to define the powers, duties and answerability related to various positions in an organisation.

OR

(a) The approach followed by “Fresh Deals” to run their stores successfully is Decentralisation. Decentralisation explains the manner in which decision making responsibilities are divided among hierarchical levels. Decentralisation refers to delegation of authority throughout all the levels of the organisation. Decision making authority is shared with lower levels and is consequently placed nearest to the points of action.

(b) The importance of decentralisation is highlighted through the following points:

(i) Develops initiative among subordinates: Decentralisation helps to promote self-reliance and confidence amongst the subordinates. This is because when lower managerial levels are given freedom to take their own decisions they learn to depend on their own judgement.

(ii) Quick decision making: The management hierarchy can be looked as a chain of communication. In a decentralised organisation, since decisions are taken at levels which are nearest to the points of action and there is no requirement for approval from many levels, the process is faster.

(iii) Better control: Decentralisation makes it possible to evaluate performance at each level and the departments can be individually held accountable for their results.

Question 30.

Auto tech Ltd. is engaged in manufacturing auto-parts. The target production is 300 units per day. The company had been successfully attaining this target until two months ago. Over the last two months, it has been observed that daily production varies between 250-270 units.

(a) Identify the management function needed to rectify the above situation.

(b) Briefly state the procedure to be followed so that the actual production may come up to the target production.

(4)

Answer:



- (a) The controlling function of management is needed to rectify the above situation.
- (b) The procedure to be followed so that the actual production may come up with the target production is as follows:
  - Providing training to workers if the workers are not well versed with the production process.
  - Improving the work environment if it is not conducive to efficient working.
  - Ensuring timely availability of the raw materials and other equipments if they are not made available on time.
  - Replacing the machinery if it is defective or has become obsolete.

Question 31.

(a) Shristi joined Tech Solutions Ltd. as Creative Manager. As per the policy of the company, every new employee has to undergo training to understand the jobs and responsibilities to be performed by them. Do you think is there any benefit to the organisation by providing training to its employees. State the benefits of training to the organisation.

(b) Explain 'transfers' and 'promotions' as internal sources of management. (6)

Answer:

(a) Yes, training is beneficial for an organisation. Training is concerned with upgradation of the knowledge and skills of the employees so that their ability to perform can be enhanced. The importance of training to the organisation are as follows:

Training imparts systematic learning to employees thereby helping to avoid wastage of efforts and money and is considered better than the hit and trial method.

It increases the employees' productivity both in terms of quantity and quality, leading to higher profits.

Training increases the morale of the employees and reduces absenteeism and employee productivity.

It helps in obtaining effective response to fast changing environment technological and economic.

Training equips the future manager who can take over in case of emergency.

(b) Transfers: It involves shifting of an employee from one job to another, one department to another or from one shift to another, without a substantive change in the responsibilities and status of the employee. It may lead to changes in duties and responsibilities, working condition etc.

but not necessarily salary. Transfer is a good source of filling the vacancies with employees from over staffed departments. Job transfers are also helpful in avoiding termination and in removing individual problems and grievances. Transfers can also be used for training of employees for learning different jobs.

Promotions: Business enterprises generally follow the practice of filling vacancies of higher jobs by promoting employees from lower jobs. Promotion lead to shifting an employee to a higher position carrying higher responsibilities, facilities, status and pay. Promotion is a vertical shifting of employees. This practice helps to improve the motivation, loyalty and satisfaction level of employees.

Question 32.

Sparkle Lights Ltd. is into the manufacture of fancy light lamps and shades. There is lot of discontentment in the organisation and the targets are not met. The company appointed Mr. Chawla as CEO of the company and he was asked to find out the reason.

Mr. Chawla found that all the decision making in the company was in the hands of the Managing Director and he did not have confidence in the competency of the employees. Thus, the employees were not happy.

(a) Identify any two communication barriers because of which Sparkle lights Ltd. was not able to achieve its target.

(b) State one more barrier of each of the types identified in part (a) above. (6)

Answer:

(a) The two communication barriers because of which Sparkle lights Ltd. was not able to achieve its targets are:



(i) Organisational barriers: If the organisational policy is not supportive to free flow of communication, it may hamper effectiveness of communications. Like in this case, CEO, Mr. Chawla found that all the decision making power of the organisation was highly centralised as it was in hands of managing director only.

(ii) Personal barriers: Lack of confidence of superior to communication with the subordinate. The personal factors of both sender and receiver may exert influence on effective communication and they may not be able to understand each other's message in the same sense. Like in the above case, the CEO found out that the managing director didn't have confidence in the competency of the employees.

(b) (i) Organisational barriers:

Status: Sometimes a status conscious manager also may not allow his subordinates to express their feelings freely. This kind of an attitude may create psychological distance between him and his subordinates.

(ii) Personal barriers: Fear of challenge to authority: If a superior may withhold or suppress the communication that he may perceive is likely to have an adverse effect on his authority.

Question 33.

Raj Ltd. plans to expand its business operations and decides to impart latest technique machines to enhance the quality and quantity of its products. After discussions with the Finance Manager, the company decides to raise the required funds by issue of equity shares.

The issue of equity shares involves huge floatation cost. To meet the expenses of floatation, the company decided to tap the money market.

(a) Name and explain the money-market instrument the company can use for the above purpose.

(b) What is the duration for which the company can get funds through this instrument?

(c) State any other purpose for which this instrument can be used.

OR

Sudershan Agro Ltd. wants to modernise its plants and machinery. To fulfill its capital requirements, the company decides to make a public issue of shares. Explain the different methods which the company may adopt for the new public issue of shares. (6)

Answer:

(a) Commercial Papers can be used for Bridge financing by Raj Ltd. as they are issued by large and creditworthy companies. Bridge financing is the funds raised to meet the floatation costs. The instrument is in the form of an unsecured promissory note and is freely transferable by endorsement. It is sold at discount and redeemed at par.

(b) Its maturity period may range from a fortnight to a year.

(c) It is also used to meet the short-term seasonal and working capital requirements of a business enterprise.

OR

The market for the new issues of shares is known as primary market It deals with new securities being issued for the first time.

The essential function of a primary market is to facilitate the transfer of investible funds from savers to entrepreneurs seeking to establish new enterprises or to expand existing ones through the issue securities for the first time. The various methods of floating new issues in the primary market are:

(i) Offer through prospectus: Offer through prospectus is the most popular method of raising funds by public companies in the primary market A prospectus makes a direct appeal to investors to raise capital through an advertisement in newspapers and magazines.

(ii) Offer for sale: Under this method, securities are not issued directly to the general public but are offered for sale through intermediaries like issuing houses or stock brokers.

(iii) Private placement: Private placement is the allotment of shares by a company to institutional investors or some selected individuals. It helps to raise capital more quickly than a public issue.

(iv) Rights issue: This is a privilege given to existing shareholders to subscribe to a new issue of shares according to the terms and conditions of the company.

(v) E-IPOs: A company proposing to issue capital to the public through the online system of the stock exchange has to enter into an agreement with the stock exchange. This is called an Initial Public Offer (IPO).

Question 34.

Pooja bought a packet of chocolates from a big departmental store. On consuming these chocolates she fell ill. On examination, it was revealed that this was due to presence of raisins in it. Pooja was allergic to it due to which she fell ill. Pooja found that the ingredients of the product were not mentioned anywhere.

She filed a case for the relief.

(a) Identify the important aspect which has been neglected by the seller/ manufacturer in the above case.

(b) Explain briefly the functions of the aspect identified in (a) above.

OR

Explain any four factors which effect the determination of the price of a product. (6)

Answer:

(a) The aspect neglected by the manufacturer in the above case is 'Labelling.' Labelling is the display of label in a product. A label contains information about a product on its container, packaging, or the product itself. It also has warnings in it.

(b) The various functions performed by a label are as follows:

(i) Describe the product and specify its contents: The main function performed by labelling is to provide the description about the product regarding its use, applications, cautions, content etc.

(ii) Identification and differentiation: A label helps in easy identification of the product. It helps the consumers to differentiate their favourable products from other products.

(iii) Standardising and grading: A label also helps in setting grades for a product. This helps the marketers to classify the product in different categories based on certain specific quality or features.

(iv) Promotion of products: An important function of label is to aid in promotion of the products. A carefully designed label can attract attention and give reason to purchase.

(v) Provide information required by law: Another important function of labelling is to provide information required by law. Such as statutory warnings, ingredients, date of manufacture etc.

OR

Pricing occupies an important place in the marketing of goods and services by a firm. Pricing is often used as a regulator of the demand of a product. There are number of factors which affect fixation of the price of a product.

Some of the important factors are as follows:

(i) Product cost: One of the most important factor affecting price of a product or service is its cost. This includes the cost

of producing, distributing and selling the product. The cost sets the minimum level or the floor price at which the product may be sold.

(ii) The utility and demand: While the product costs set the lower limits of the price, the utility provided by the product and the intensity of demand of the buyer sets the upper limit of price, which a buyer would be prepared to pay. The price of a product is affected by the elasticity of demand of the product.

(iii) Extent of competition in the market: The price between the lower limit and upper limit is affected by the nature and degree of competition. The price will tend to reach the upper limit in case there is lesser degree of competition. Competitor's prices and their anticipated reasons must be considered before fixing the price of a product.

(iv) Government and legal regulations: In order to protect the interest of public against unfair practices in the field of pricing, the government can intervene and regulate the price of commodities. Government can declare a product as essential product and regulate its price.

